

Message Text

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70

ACTION EA-14

INFO OCT-01 ISO-00 NSCE-00 AGR-20 AID-20 EB-11 IO-14

RSC-01 COME-00 TRSE-00 SWF-02 L-03 SS-20 NSC-07 HEW-08

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FM USLO PEKING

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INFO AMCONSUL HOKG KONG

C O N F I D E N T I A L PEKING 425

E.O. 11652: GDS

TAGS: EAGR, ETRD, CH

SUBJECT: FURTHER TCK SMUT CONTAMINATION IN US WHEAT SHIPMENTS
TO CHINA

REF: PEKING 1179

SUMMARY: THE CHINESE HAVE REFUSED TO ACCEPT TWO TCK-
CONTAMINATED WHEAT SHIPMENTS FROM CARGILL AND DREYFUS NOW IN
CHINESE PORTS AWAITING UNLOADING. REPS OF THE TWO FIRMS ARE IN
PEKING FOR DISCUSSIONS ON THE MATTER AND HAVE INDICATED THAT
THEY CANNOT ACCEPT PRC REJECTION EITHER WITH REGARD TO THESE OR
FUTURE SHIPMENTS OF US WHEAT TO CHINA. END SUMMARY.

1. TCK SMUT IS AGAIN CAUSING SERIOUS PROBLEMS FOR US EXPORTERS
OF WHEAT TO THE PRC. REPS OF CARGILL AND DREYFUS ARE NOW
IN PEKING AS A RESULT OF CHINESE REFUSAL TO ACCEPT TWO
SHIPLOADS OF WHEAT WHICH, ACCORDING TO CHINESE QUARANTINE
OFFICIALS, ARE CONTAMINATED WITH TCK. WE HAVE NOT YET SPOKEN
WITH THE DREYFUS MAN, BUT CARGILL REP JEREMY LANG CALLED AT
USLO MARCH 12 AND GAVE THE FOLLOWING REPORT.

2. FOLLOWING THE VISIT TO CHINA OF USDA SCIENTIST JAMES
HOFFMAN LAST OCTOBER (REFTEL), CARGILL AND DREYFUS UNDERTOOK
TO ENSURE THAT ALL FUTURE SHIPMENTS OF WHEAT TO CHINA WOULD BE
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TCK SMUT-FREE. TO BE SURE OF THIS, THE TWO FIRMS CEASED SHIPPING

WESTERN WINTER WHEAT ALTOGETHER, AND HAVE SINCE SHIPPED ONLY MID-WESTERN WINTER WHEAT, WHICH ACCORDING TO HOFFMAN DOES NOT HAVE TCK, OR SPRING WHEAT, WHICH THEORETICALLY CANNOT CONTRACT THE DISEASE.

THE SHIPMENTS HAVE ORIGINATED IN WEST COAST PORTS (IN THE CASE OF WESTERN SPRING WHEAT) OR OUT OF THE GULF (FOR MID-WESTERN SPRING AND WINTER WHEAT). IN ADDITION, COOK GRAIN RECENTLY DELIVERED ITS FIRST SHIPMENT OF SPRING WHEAT TO CHINA THROUGH THE GREAT LAKES. AS A FURTHER PRECAUTION, LANG SAID, THE USDA QUARANTINE SERVICE HAS TIGHTENED ITS PRE-SHIPMENT INSPECTION PROCEDURES AND HAS CERTIFIED ALL POST-OCTOBER SHIPMENTS TO BE ENTIRELY TCK-FREE.

3. DESPITE THESE EFFORTS, LANG SAID, CHINESE QUARANTINE AUTHORITIES HAVE CONTINUED TO FIND TCK IN WHAT HE DESCRIBED AS "INFINTESIMAL QUANTITIES IN SHIPMENTS OF BOTH WINTER AND SPRING WHEAT ARRIVING FROM THE US. LANG SPECULATES THAT THIS SMUT IS NOT ORIGINALLY ON THE WHEAT ITSELF BUT IS BEING PICKED UP ENROUTE FROM THE DUST OF RAILCARS, DOCKSIDES AND SHIPS HOLDS.

4. DESPITE CEROILFOODS'S WARNING IN OCTOBER THAT NO FURTHER CONTAMINATED CARGOES WOULD BE ACCEPTED, THE CHINESE HAVE CONTINUED TO ACCEPT THESE SHIPMENTS UNTIL NOW, LANG SAID. HOWEVER, CEROILFOOD HAS NOW REJECTED A CARGILL SHIPMENT WHICH WAS FOUND IN SHANGHAI TO HAVE TCK CONTAMINATION, AND A DREYFUS SHIPMENT WHICH IS ALSO IN A PRC PORT AND FOUND TO HAVE TCK. CEROILFOOD HAS ALSO INFORMED COOK GRAIN, THAT WHILE ITS FIRST SHIPMENT WAS FOUND TO CONTAIN TCK AND WAS ACCEPTED, ALL FUTURE SHIPMENTS WILL BE REJECTED. CEROILFOOD HAS SAID THAT THE DECISION TO REJECT IS NOW FIRM, AND IMPLIED THAT IT COMES FROM HIGHER AUTHORITY.

5. IN THESE CIRCUMSTANCES, CARGILL AND DREYFUS FIND THEMSELVES AT A MAJOR IMPASSE WITH CEROILFOOD. THEY CANNOT ACCEPT REJECTION OF THE TWO SHIPMENTS, LANG SAID, BECAUSE THE TWO FIRMS NOW SEE NOW WAY TO GURANTEE FUTURE SHIPMENTS AGAINST TCK CONTAMINATION, AT LEAST NOT AS DEFINED BY PRC QUARANTINE OFFICIALS. WHILE THEY HAVE NOT RAISED THE POSSIBILITY OF CONTRACT CANCELLATION, THEY HAVE MADE CLEAR TO CEROILFOOD THAT THEY HAVE DONE ALL THEY CAN TO AVOID TCK CONTAMINATION. DREYFUS AND CARGILL, LANG INDICATED, ARE PREPARED TO KEEP THEIR REPS IN PEKING

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AS LONG AS NECESSARY TO RESOLVE THE PROBLEM. LANG DOES NOT KNOW, HOWEVER, HOW LONG THIS MAY TAKE OR WHERE THE MATTER WILL END. HE EMPHASIZED THAT CARGILL IS NOT LOOKING FOR USG ASSISTANCE AT THIS POINT, BUT ONLY WISHES TO KEEP US INFORMED. HE ALSO SAID THAT CEROILFOOD IS CLEARLY INTERESTED IN KEEPING THE MATTER IN COMMERCIAL CHANNELS.

6. COMMENT: WE ARE ATTEMPTING TO CONTACT THE DREYFUS REP, AND
WILL REPORT ANY SIGNIFICANT FURTHER INFORMATION WE MAY LEARN.
JENKINS

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